

## Message Text

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USIE-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 OPIC-03 SP-02 TRSE-00 CIEP-01 LAB-04

SIL-01 OMB-01 EURE-00 SS-15 NSC-05 /125 W

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O R 131952Z SEP 76

FM USMISSION OECD PARIS

TO SECSTATE WASH DC IMMEDIATE 3340

INFO ALL OECD CAPITALS 0419

AMEMBASSY ALGIERS

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E.O. 11652: GDS

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TAGS: OECD, EGEN, CIEC, ETRD, EFIN, EAID, ENRG

SUBJECT: CIEC: RESOLUTION OF DISAGREEMENTS ON  
WORK PROGRAM

1. SUMMARY: AFTER A THREE-DAY NEGOTIATION, G-8 AND G-19 AGREED AT 9:00 P.M. SEPTEMBER 11 ON A TEXT RESOLVING DIFFERENCES OVER LANGUAGE OF CIEC WORK PROGRAM REFERENCES TO DEBT AND TO PURCHASING POWER OF EXPORT-EARNINGS. SEPTELS CONTAIN TEXTS OF AGREED LANGUAGE, AND OF U.S. STATEMENT SUBMITTED TO CONFERENCE IN CONNECTION WITH THE AGREED LANGUAGE. CIEC COMMISSIONS WILL RESUME MEETINGS ON TUESDAY, SEPTEMBER 14. END SUMMARY.

2. AFTER PROTRACTED AND INTENSE NEGOTIATION, G-8 AND G-19 REACHED AGREEMENT SEPTEMBER 11 ON A TEXT COVERING THE TREATMENT OF THE TWO KEY ISSUES OF DEBT AND PURCHASING POWER IN THE WORK PROGRAMS OF THE COMMISSIONS FOR THE SECOND HALF OF THE YEAR. FINAL TEXT IS LARGELY ALONG THE LINES OF THAT PUT FORWARD BY CANADIAN CO-CHAIRMAN IN LATE AUGUST. IT CONTAINS A CHAPEAU, WHICH APPLIES TO ALL OF THE WORK PROGRAMS, NOT JUST SECTIONS ON DEBT AND PURCHASING POWER, WHICH STATES EXPLICITLY THAT THE WORK PROGRAMS DO NOT PRE-DETERMINE THE OUTCOME OF THE WORK TO BE DONE.

3. THE LANGUAGE ON DEBT AND INDEXATION MAINTAINS A DISTINCTION BETWEEN A COMMITMENT TO CONSIDER PROBLEMS AND PROPOSALS IN THE COMMISSIONS AND ANY COMMITMENT TO AGREE TO FORMULATE PROPOSALS TO PUT TO MINISTERS IN DECEMBER OR TO AGREE TO A SPECIFIC CONCLUSION. THIS WAS THE INITIAL POLITICAL ISSUE FOR THE U.S. AND THE REST OF THE G-8. ONLY IN THE CASE OF THE FINANCIAL COMMISSION WORK ON FEATURES FOR DEBT REORGANIZATION OPERATIONS IS THE G-8 COMMITTED TO FORMULATE PROPOSALS -- A COMMITMENT WHICH WE HAD PREVIOUSLY MADE IN CONTEXT OF NAIROBI RESOLUTION ON DEBT.

4. WE WERE ABLE TO OBTAIN IMPROVEMENTS IN THE ORIGINAL CANADIAN TEXTS ON THEIR MAJOR POINTS: (1) THE DESCRIPTION OF THE DEVELOPMENT COMMISSION'S WORK  
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PROGRAM ON DEBT WAS BROADENED TO MAKE CLEAR THAT ITS FOCUS AND PROPOSALS CONSIDERED WOULD BE NOT JUST IN THE ALLEVIATION OF DEBT BURDENS BUT ALSO TAKE ACCOUNT OF THE BROADER ASPECTS OF LDC DEVELOPMENT NEEDS AND

STRUCTURAL FINANCIAL PROBLEMS; AND (2) INSERTION OF THE PHRASE "CONSIDER PROPOSALS FOR" AS THE QUALIFYING PHRASE FOR THE CONSIDERATION OF THE PURCHASING POWER

ISSUE BY BOTH THE ENERGY AND RAW MATERIALS  
COMMISSIONS.

5. FACT THAT COMPROMISE WAS REACHED ALONG LINES WHICH  
SAFEGUARDS ESSENCE OF THE POSITION TAKEN BY THE G-8 IN  
JULY (I.E., NO NEW PRECOMMITMENTS IN THE WORK PROGRAMS  
TO A SPECIFIC OUTCOME ON INDIVIDUAL ISSUES) INDICATES  
THAT G-19 HAD MADE POLITICAL DECISION THAT IT WANTED  
CIEC TO RESUME. HOWEVER, G-19 ACCEPTANCE OF THE COM-  
PROMISE TEXT WAS APPARENTLY ATTAINED ONLY WITH  
GREATEST DIFFICULTY BY G-19 CO-CHAIRMAN PEREZ GUERRERO.  
IN FACT, HE MADE NUMEROUS PROPOSALS FOR FURTHER MODI-  
FICATION IN DEBT PROPOSALS AS LATE AS SEPTEMBER 11  
WHICH INDICATED THAT SOME OF G-19 WERE STILL TRYING TO

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INFO ALL OECD CAPITALS 0420

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OBTAIN G-8 PRECOMMITMENT ON KEY ASPECTS OF THIS ISSUE.  
THESE WERE ALL REJECTED BY U.S. AND REST OF G-8, AND  
THE COMPROMISE TEXT WAS EVENTUALLY ACCEPTED.

6. INDIVIDUAL G-19 DELEGATIONS HAVE MADE THE POINT TO  
US PRIVATELY THAT THEIR DECISION TO DRAW BACK FROM  
THEIR EXTREME STANCE OF JULY AND PERMIT CIEC TO  
RESUME WAS BASED ON A GAMBLE THAT DC'S ARE SERIOUS  
ABOUT THE DIALOGUE AND THAT CIEC MAY PRODUCE AT LEAST  
A MARGINALLY SUCCESSFUL RESULT. THEY CONCEDED ON  
THEIR DEMANDS IN THE END BUT THEY FEEL THAT THE CRISIS  
OVER THE WORK PROGRAMS HAS FOCUSSED POLITICAL-LEVEL  
ATTENTION ON CIEC IN DC CAPITALS AND PLACED US ON  
NOTICE THAT VISIBLE PROGRESS ON KEY ISSUES WILL BE  
ESSENTIAL IF CIEC IS TO CONCLUDE SMOOTHLY. THEY WILL  
BE CONTINUALLY REASSESSING THE DEGREE OF DC COMMITMENT  
TO SERIOUS ACTION OVER THE COURSE OF THE FALL, AND  
WE CAN PROBABLY EXPECT MORE JULY-LIKE CRISES OVER THE  
NEXT FEW MONTHS AS THE G-19 RATCHETS UP POLITICAL  
PRESSURE IN PREPARATION FOR THE DECEMBER MINISTERIAL.

7. THE UNCERTAINTY OVER THE STATUS OF CIEC HAS LEFT  
THE G-19 SOMEWHAT UNPREPARED FOR THIS WEEK'S  
COMMISSION MEETINGS. THERE ARE ALREADY SOME SIGNALS  
THAT THE G-19 MIGHT WISH TO SHORTEN THIS SESSION TO  
FRIDAY OR SATURDAY RATHER THAN STAYING ON THROUGH  
SEPTEMBER 20 AS ORIGINALLY SCHEDULED AND PROVIDE FOR  
SOME EXTENSION OF THE OCTOBER 20-27 SESSION WHEN THEY  
WILL BE PRESENTING MOST OF THEIR "PROPOSALS" AS  
CALLED FOR IN THE WORK PROGRAM.

8. THE CANADIANS HAVE AGAIN PERFORMED WITH STRENGTH OVER LAST SEVERAL DAYS. THEY CLEARLY MADE POLITICAL JUDGMENT AFTER THEIR JULY-AUGUST CONSULTATIONS WITH G-8 GOVERNMENTS THAT THEY HAD A MANDATE TO PUT CIEC BACK ON THE TRACKS. THEY DESCRIBED THEIR TASK AS THAT OF FINDING A "BALANCE OF DISSATISFACTION" BETWEEN THE TWO GROUPS. IN THEIR VIEW, THE CHAPEAU PROVIDED THE BASIC POLITICAL PROTECTION THE G-8 REQUIRED AND  
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THUS THE TEXT OF THE PARAGRAPHS ON DEBT AND PURCHASING POWER, WHILE NOT CONTRADICTING THE CHAPEAU, HAD TO

GIVE SUFFICIENT HOMAGE TO G-19 LANGUAGE TO PERMIT THEM TO WITHDRAW FROM THE POLITICAL POSITION THEY HAD TAKEN IN JULY.

9. IT WAS CLEAR FROM THE BEGINNING OF THE PARIS PHASE OF THE NEGOTIATIONS ON SEPTEMBER 9 THAT THE CANADIAN TACTIC WAS TO OBTAIN G-19 AGREEMENT TO A TEXT WHICH INCLUDED THE CHAPEAU AND THEN PUT IT TO THE G-8 ON A TAKE IT OR LEAVE IT BASIS. THEY CAREFULLY RESISTED PUTTING THEMSELVES IN A POSITION OF NEGOTIATING WITHIN THE G-8 ON THE ONE HAND AND WITH THE G-19 ON THE OTHER. BY TAKING VIGOROUS POSITIONS WITHIN THE G-8 AND BY WORKING INTENSIVELY WITH THE CANADIANS ON A BILATERAL BASIS (WHERE THEY WERE QUITE OPEN TO SUGGESTIONS), WE WERE ABLE TO OBTAIN SOME IMPROVEMENT IN THE TEXT AND THUS REDUCE THE RISK THAT, HAVING SOLD IT TO THE G-19, THE CANADIANS WOULD FIND IT REJECTED WITHIN THE G-8.

10. THE EC HAD GREAT DIFFICULTY PULLING TOGETHER A

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JOINT VIEW ON THE INTRICACIES OF THE DEBT ISSUE AND,  
IN THE END, RELIED LARGELY ON THE U.S. TO SEE THAT THE  
ESSENCE OF THE POSITION WAS PRESERVED. THE JAPANESE  
AND OTHERS OF THE G-8 WERE BASICALLY PASSIVE, WANTING  
CIEC TO GO FORWARD, SUPPORTING OUR VIEW THAT IT SHOULD  
ONLY GO FORWARD UNDER CONDITIONS ACCEPTABLE TO THE

DC'S, BUT BEING WILLING TO LIVE WITH WHATEVER THE U.S.  
AND EC COULD ACCEPT.

11. PEREZ-GUERRERO HAS APPARENTLY ACHIEVED SOME  
RESTORATION OF HIS POSITION AND INFLUENCE WITHIN THE  
G-19 -- IN CONTRAST TO JULY WHEN HE VIRTUALLY DROPPED  
OUT OF SIGHT. HOWEVER, HE IS STILL HEAVILY DEPENDENT  
ON SUPPORT FROM A NUMBER OF KEY G-19 DELEGATIONS  
(ALGERIA, IRAN, MEXICO, ETC.), AND WE CAN PROBABLY  
EXPECT MUCH MORE EVIDENCE OF INCREASED INFLUENCE BY THE  
G-19 RADICALS OVER THE NEXT FEW MONTHS.

12. SEPTELS PROVIDE TEXTS OF LANGUAGE RESOLVING WORK  
PROGRAM DIFFERENCES AND OF UNILATERAL U.S. STATEMENT

IN CONNECTION WITH THIS LANGUAGE. THESE TEXTS WILL BE  
INCORPORATED INTO A CONFERENCE DOCUMENT INTRODUCED BY  
CO-CHAIRMEN'S MINUTE, FOLLOWED BY WORK PROGRAM AGREED  
IN JULY (WITH LANGUAGE AGREED SEPT. 11 ADDED IN  
APPROPRIATE PLACES) AND THEN PRESENTING UNILATERAL  
STATEMENTS THAT DELEGATIONS MAY MAKE.  
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## Message Attributes

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